## COMPANY RESULTS

# Inari Amertron (INRI MK)

FY25: Within Expectations; Positioning For The Next Wave Of Growth

**FY25 results are in line. Inari is positioning to tap the exponential growth of the advanced packaging market. While earnings fruition from the Lumileds acquisition depends on a successful turnaround, we are net positive on: a) a more diversified portfolio with reduced cyclicality, b) incremental revenue opportunities from the OSAT insourcing model, and c) expanded access to Tier-1 global customers various segments. Maintain BUY. Target price: RM2.36.**

### FY25 RESULTS

| Year to 30 Jun (RMm) | 4QFY25 | qoq % chg | yoy % chg | FY25 | yoy % chg |
|---|---|---|---|---|---|
| Revenue | 306.7 | (0.5) | (7.9) | 1,351.9 | (8.6) |
| Gross profit | 64.9 | 3.5 | 1.9 | 293.0 | (9.5) |
| EBITDA | 79.3 | (14.1) | (10.8) | 360.1 | (17.3) |
| Operating profit | 46.2 | (20.0) | (14.4) | 222.2 | (28.8) |
| Pre-tax profit | 45.6 | (20.4) | (14.4) | 220.3 | (28.9) |
| Net Profit | 49.2 | (11.4) | (10.1) | 218.7 | (27.1) |
| Core Net Profit | 53.8 | (11.3) | (14.4) | 253.5 | (17.3) |
| **Margins (%)** | **(%)** | **qoq ppt chg** | **yoy ppt chg** | **(%)** | **yoy ppt chg** |
| Gross | 21.1 | 0.8 | 2.0 | 21.7 | (0.2) |
| EBITDA | 25.9 | (4.1) | (0.8) | 26.6 | (2.8) |
| PBT | 14.9 | (3.7) | (1.1) | 16.3 | (4.7) |
| Core Net Profit | 17.5 | (2.1) | (1.3) | 18.8 | (2.0) |

*Source: Inari Amertron , UOB Kay Hian*

### RESULTS

- **Within our expectations, but below consensus.** Inari Amertron (Inari) reported a softer 4QFY25 core net profit of RM53.8m (-11% qoq, -14% yoy), bringing FY25 core net profit to RM253.5m (-17%), accounting for 100%/98% of our/consensus full-year forecasts respectively. Note that the core net profit has been adjusted for the unrealised forex losses of RM35.7m. The group has also proposed the fourth single-tier DPS of 1.2sen, with ytd DPS of 5.5sen (vs 7.7sen) during the quarter.
- **FY25 sales dropped 9% yoy,** with the automobile and industrial segments leading the drop (-34% yoy). As the US dollar depreciated 6% against the Malaysian ringgit vis-a-vis FY24, core net profit dropped by a larger quantum of 17%. This was also exacerbated by higher depreciation charges of RM137.9m (vs RM123.1m). Qoq, while revenue dropped 1%, core net profit dropped 11%, dragged by higher admin expenses.

### KEY FINANCIALS

| Year to 30 Jun (RMm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 1,479 | 1,352 | 1,502 | 1,687 | 1,842 |
| EBITDA | 435 | 360 | 437 | 491 | 538 |
| Operating profit | 312 | 222 | 312 | 362 | 406 |
| Net profit (rep./act.) | 300 | 219 | 297 | 351 | 394 |
| Net profit (adj.) | 306 | 254 | 297 | 351 | 394 |
| EPS (sen) | 8.2 | 6.7 | 7.8 | 9.3 | 10.4 |
| PE (x) | 24.3 | 29.6 | 25.3 | 21.4 | 19.1 |
| P/B (x) | 2.7 | 2.7 | 2.7 | 2.7 | 2.6 |
| EV/EBITDA (x) | 12.5 | 15.2 | 12.7 | 11.4 | 10.4 |
| Dividend yield (%) | 3.9 | 2.8 | 3.6 | 4.2 | 4.7 |
| Net margin (%) | 20.3 | 16.2 | 19.8 | 20.8 | 21.4 |
| Net debt/(cash) to equity (%) | -80.9 | -77.5 | -74.5 | -73.0 | -71.9 |
| Interest cover (x) | 223.9 | 187.5 | 218.7 | 245.4 | 269.2 |
| ROE (%) | 12.2 | 9.4 | 13.9 | 17.5 | 20.8 |
| Consensus net profit | | | 308 | 352 | 399 |
| UOBKH/Consensus (x) | | | 0.96 | 1.00 | 0.99 |

*Source: Inari Amertron , Bloomberg, UOB Kay Hian*

## BUY

(Maintained)

| | |
|---|---|
| Share Price | RM1.98 |
| Target Price | RM2.36 |
| Upside | +19.2% |

### COMPANY DESCRIPTION

Inari is the largest semiconductor company in Malaysia and a top OSAT supplier for Broadcom's Radio Frequency (RF) components. It also manufactures and assembles optoelectronics and fibre-optics related components.

### STOCK DATA

| | |
|---|---|
| GICS sector | Information Technology |
| Bloomberg ticker: | INRI MK |
| Shares issued (m): | 3,789.0 |
| Market cap (RMm): | 7,502.2 |
| Market cap (US$m): | 1,777.8 |
| 3-mth avg daily t'over (US$m): | 6.5 |

**Price Performance (%)**

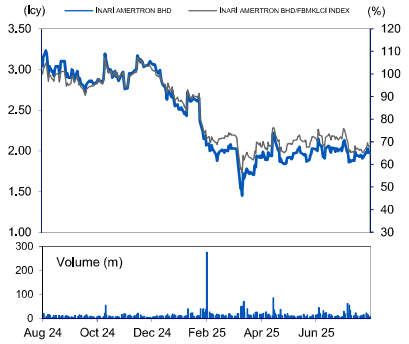
52-week high/low RM3.23/RM1.45

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| (2.5) | (7.0) | (4.4) | (36.1) | (35.1) |

| Major Shareholders | % |
|---|---|
| Employees Provident Fund | 13.5 |
| Insas Berhad | 12.9 |
| Kumpulan Wang Persaraan | 10.2 |

| | |
|---|---|
| FY26 NAV/Share (RM) | 0.74 |
| FY26 Net Cash/Share (RM) | 0.55 |

### PRICE CHART




*Source: Bloomberg*

### ANALYST(S)

**Desmond Chong**
+603 2147 1980
desmondchong@uobkayhian.com

## STOCK IMPACT

- **Partnering with San'an to acquire Lumileds International.** In partnership with San'an Optoelectronics (San'an), Inari Amertron has announced its plans to jointly acquire 100% shares in Lumileds Holdings B.V. and its 11 Asian and European subsidiary companies (Lumileds International), for a total enterprise value (EV) of US$239m to be satisfied wholly in cash. Essentially, the final purchase price of the shares would be the sum of the total enterprise value, adjusted for net debt and net working capital adjustment, to be determined within 105 business days after the completion date (3QFY26). The proposed joint acquisition will be done via an SPV to be incorporated in Hong Kong, jointly owned by San'an (74.5%) and Inari (25.5%), and to be accounted as Inari's associate. Both parties will inject around US$41m into the HK SPV for working capital purposes, totalling an investment outlay of US$280m. At 25.5% stake, Inari's commitment of US$71.4m (or RM307m) will be funded by its unutilised private placement proceeds (at RM369.8m).

- **A compelling risk-reward proposition.** While earnings accretion remains contingent on a successful operational turnaround, we are positive on this strategic acquisition as it accelerates Inari's expansion into the automobile and specialty illumination LED segments (and potentially via OSAT insourcing model), aligning with its long-term vision of building a vertically integrated, broader technology platform with a diversified earnings base. Meanwhile, Lumileds' established backend LED assembly operations in Penang (>2,500 staff) offer immediate synergies through geographic proximity and operational familiarity. After the acquisition, beyond gaining exposure to various components in top-tier smartphone OEMs, Inari will also benefit from access to global Tier 1 automobile OEMs, leading LED module suppliers, and specialty LED applications across consumer and industrial markets – effectively reducing customer concentration risk and moderating earnings cyclicality from its existing business.

- **The worst is likely over.** Inari's share price has slumped 35% ytd, dragged by: a) concerns of further moderation in smartphone demand amid tariff-driven price pressures, b) an expected gestation period as investors digest the Lumileds acquisition, and c) persistent US-China trade tensions that could disrupt end-customer manufacturing and amplify supply chain risks. These worries have pushed the stock to trade at around -1SD below its seven-year mean PE. Looking ahead, we expect Inari's RF segment to stage for a strong rebound in 2H25, anchored by market share gains, expanded capabilities, and incremental volume support from new flagship launches by its key US customer.

## EARNINGS REVISION/RISK

- After our model updates, we tweak our FY26-27 earnings by +1/-1% for house-keeping purposes.

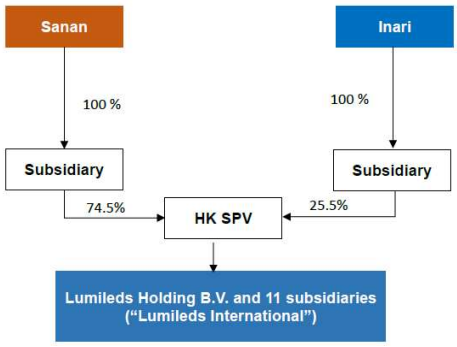
## VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM2.36**, based on an unchanged 30.0x FY26F PE (at seven-year mean forward PE). At 19.7x ex-cash FY26F PE (at -1SD below its seven-year forward mean) with negative de-ratings (cyclical bottom) being priced in, we see a balanced risk-reward ratio for a favourable entry point.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

| |
|---|
| • **Environmental** |
| - Inari has met globally recognised standards and has been qualified for inclusion into the FTSE4Good Bursa Malaysia Index since 22 Jun 20. |
| • **Social** |
| - Only foreign workers with legal work permits are hired, while all employees receive at least minimum wages. |
| • **Governance** |
| - The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). No reported incidents of corruption or breaches against policy in 2020. |

## SHAREHOLDING STRUCTURE OF LUMILEDS INTERNATIONAL UPON COMPLETION



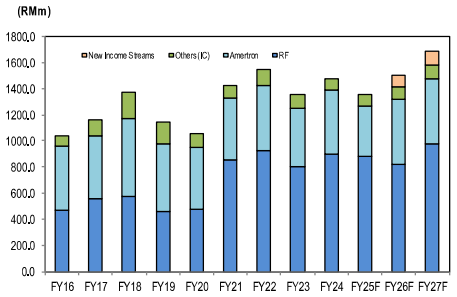

*Source: Inari*

## FINANCIAL INFO OF LUMILEDS INTERNATIONAL

| | 31 December 2024/2024 (unaudited) Million USD | 31 March 2025/2025Q1 (unaudited) Million USD |
|---|---|---|
| Total Assets | 515 | 515 |
| Total Liabilities | 305 | 322 |
| Total Equity | 210 | 193 |
| Revenue | 589 | 141 |
| Net Loss (total comprehensive loss attributable to owner) | -67 | -17 |

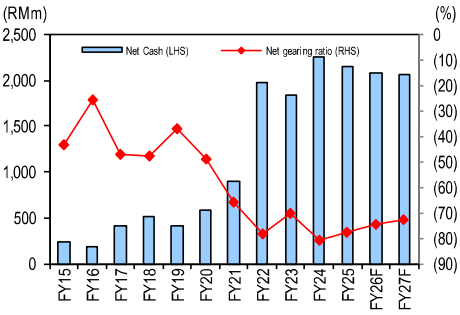
*Source: Inari, UOB Kay Hian*

## REVENUE BY SEGMENT




*Source: Inari, UOB Kay Hian*

## NET CASH AND NET GEARING




*Source: Inari, UOB Kay Hian*

## PROFIT & LOSS

| Year to 30 Jun (RMm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Net turnover** | **1352** | **1502** | **1687** | **1842** |
| EBITDA | 360 | 437 | 491 | 538 |
| Deprec. & amort. | 138 | 126 | 129 | 132 |
| EBIT | 222 | 312 | 362 | 406 |
| Associate contributions | 0 | 0 | 0 | 0 |
| Net interest income/(expense) | -2 | -2 | -2 | -2 |
| **Pre-tax profit** | **220** | **310** | **360** | **404** |
| Tax | -7 | -19 | -14 | -16 |
| Minorities | 6 | 6 | 6 | 6 |
| Net profit | 219 | 297 | 351 | 394 |
| **Net profit (adj.)** | **254** | **297** | **351** | **394** |

## BALANCE SHEET

| Year to 30 Jun (RMm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 760 | 804 | 825 | 843 |
| Other LT assets | 3 | 4 | 5 | 5 |
| Cash/ST investment | 2,141 | 2,086 | 2,063 | 2,052 |
| Other current assets | 500 | 605 | 671 | 726 |
| **Total assets** | **3,402** | **3,494** | **3,558** | **3,621** |
| ST debt | 0 | 0 | 0 | 0 |
| Other current liabilities | 283 | 332 | 367 | 396 |
| LT debt | 0 | 0 | 0 | 0 |
| Other LT liabilities | 28 | 28 | 28 | 28 |
| Shareholders' equity | 2,764 | 2,801 | 2,825 | 2,853 |
| Minority interest | 327 | 332 | 338 | 343 |
| **Total liabilities & equity** | **3,402** | **3,494** | **3,558** | **3,621** |

## CASH FLOW

| Year to 30 Jun (RMm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Operating** | **321.8** | **361.7** | **443.0** | **493.6** |
| Pre-tax profit | 220 | 310 | 360 | 404 |
| Tax | (33) | (19) | (14) | (16) |
| Deprec. & amort. | 122 | 126 | 129 | 132 |
| Working capital changes | (47) | (55) | (31) | (27) |
| Other operating cashflows | 322 | 362 | 443 | 494 |
| **Investing** | (230) | (150) | (150) | (150) |
| Capex (growth) | (112) | (150) | (150) | (150) |
| Investments | 0 | 0 | 0 | 0 |
| Proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Others | (118) | 0 | 0 | 0 |
| **Financing** | **(200)** | **(267)** | **(316)** | **(354)** |
| Dividend payments | (238) | (267) | (316) | (354) |
| Issue of shares | 0 | 0 | 0 | 0 |
| Proceeds from borrowings | 0 | 0 | 0 | 0 |
| Loan repayment | 0 | 0 | 0 | 0 |
| Others/interest paid | 38 | 0 | 0 | 0 |
| **Net cash inflow (outflow)** | **(108)** | **(55)** | **(23)** | **(11)** |
| **Beginning cash & cash equivalent** | **2,000** | **1,800** | **1,744** | **1,721** |
| Changes due to forex impact | 250 | 342 | 342 | 342 |
| **Ending cash & cash equivalent** | **2,141** | **2,086** | **2,063** | **2,052** |

## KEY METRICS

| Year to 30 Jun (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 26.6 | 29.1 | 29.1 | 29.2 |
| Pre-tax margin | 16.3 | 20.6 | 21.3 | 21.9 |
| Net margin | 16.2 | 19.8 | 20.8 | 21.4 |
| ROA | 7.5 | 11.2 | 13.9 | 16.5 |
| ROE | 10.9 | 13.9 | 17.5 | 20.8 |
| | | | | |
| **Growth** | | | | |
| Turnover | (8.6) | 11.1 | 12.3 | 9.2 |
| EBITDA | (17.3) | 21.4 | 12.2 | 9.7 |
| Pre-tax profit | (28.9) | 40.6 | 16.1 | 12.4 |
| Net profit | (27.1) | 35.7 | 18.3 | 12.2 |
| Net profit (adj.) | (27.1) | 35.7 | 18.3 | 12.2 |
| EPS | (17.9) | 17.1 | 18.3 | 12.2 |
| | | | | |
| **Leverage** | | | | |
| Debt to total capital | - | - | - | - |
| Debt to equity | - | - | - | - |
| Net debt/(cash) to equity | (77.5) | (74.5) | (73.0) | (71.9) |
| Interest cover (x) | 187.5 | 218.7 | 245.4 | 269.2 |

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